

Deepak Moorjani

Morgan Stanley Japan Limited

Yebisu Garden Place Tower
4-20-3 Ebisu, Shibuya-ku,
Tokyo 150-6008

Morgan Stanley

tel : (03) 5424 6012

fax: (03) 5424 7198

www.morganstanley.co.jp

deepak.moorjani@morganstanley.com

"Kohlenberg, Kerstin" <Kerstin.Kohlenbera@zeit.de> 

May 13, 2009 2:03 PM

To: DEEPAK

AW: Links to Articles

Hi Deepak,

oh yes, I read them and after that went to your scribt-page and read everything that is there.

What you discovered at Deutsche Bank in regards to almost 100percent loans and the connection to bonuses is exactly what apparently happened at Hypo Real Estate (only that they offered 160 percent commercial real estate loans which in German is actually against the law. I am researching that story right now) so I am a little familiar with the topic. I just did a story about Merkel and her advisers and how badly their bank-overview functions. (<http://www.zeit.de/2009/15/DOS-Kanzleramt>)

I believe what you discovered in a heartbeat. I think your demands for better risk management and a different incentive structure need more audience - and connected with that very case that you are presenting, it would make a big, big story. I write 8000 word features (kind of like a New York times Magazine Story) and I would very much write about you and the case you are making. There are a lot of people out there that demand change, but there is you who can show how rotten the system still is, and how the managers say one thing to the media and something else to people like you.

The fact that your letter was ccd to Angela Merkel makes it even more interesting, because I could confront her with it, and ask about her real interests in changing the system (like she said on the G20 summit)

So any clue when you will be back in New York?

Kerstin

-----Ursprüngliche Nachricht-----

Von: DEEPAK MOORJAN

Gesendet: Mi 13.05.2009 18:50

An: Kohlenberg, Kerstin

Betreff: Links to Articles

Hi Kerstin,

Have you read these articles? If so, I'd welcome your thoughts.

A.

B.

Deepak

On May 14, 2009, at 12:57 AM, Kohlenberg wrote:

Deepak,

That's really unfortunate. When so you come back to the States?

Kerstin

Am 13.05.2009 17:51 Uhr schrieb "DEEPAK MOORJANI" unter

Hi Kerstin,

Unfortunately, I am stuck in Asia. Hearings are discontinuous, and I'm not sure when the next hearing will be. The April hearing was public, but most are closed hearings (including this Friday's hearing).

I'll recommend that we "meet" via videoconference. It's the next-best alternative and better than a phone call. Maybe even this weekend.

Thanks,
Deepak

On May 14, 2009, at 12:10 AM, Kohlenberg wrote:

Hi Deepak,

Thanks again. Just two quick questions in order to plan my trip next

Chairman

JUN MAKIHARA

Neoteny Co., Ltd.

Lotus Calyx 102, 2-22-3 Jiyugaoka, Meguro-ku, Tokyo 152-0035, Japan
(2nd office)

c/o Six Apart K.K.

Entsuji-Gadelius Bldg. 7F, 5-2-39 Akasaka, Minato-ku, Tokyo 107-0052, Japan
Phone +81-3-5549-2270 Fax +81-3-5549-2271
NY 212-358-1776

E-mail jmakihara@neoteny.com

②

Deepak Moorjani
02/08/2007 03:09 PM

To: Michael Cohrs/DMGIB/DMG UK/DeuBa@DBEMEA
cc:
Subject: Via Jun

Hi Michael,

Yes, I was. Bonus day turned into a bigger distraction than imagined. Apologies for the delay.

I've convinced the sponsor of a large JREIT to go private in an MBO transaction. It's fairly large transaction (\$1.7-1.8 billion), and if necessary, I would like to get your advice if we hit any major hiccups. Currently, we do not have any major issues, but I wanted to introduce myself well in advance in the event that I need some advice.

Thank you.

Deepak Moorjani
Deutsche Securities Inc.

Sanno Park Tower | 2-11-1 Nagata-cho | Chiyoda-ku, Tokyo 100-6171
+813.5156.7403 t | +813.5156.6884 f | deepak.moorjani@db.com

Michael Cohrs/DMGIB/DMG UK/DeuBa@DBEMEA

①

Michael Cohrs/DMGIB/DMG
UK/DeuBa@DBEMEA
02/05/2007 10:54 PM

To Deepak Moorjani/db/dbcom@DBAPAC

cc

Subject

I think you were trying to reach me--how can I help?



satyagraha
March 20, 2009

PERSONAL AND CONFIDENTIAL

Mr. Michael Cohrs
Mr. David Hatt
Deutsche Bank AG
Sanno Park Tower, 2-11-1 Nagatacho
Chiyoda-ku, Tokyo 100-6171

Gentlemen,

This letter to management represents my continuing attempt to improve the inadequate governance structures and lax internal controls within Deutsche Bank AG.

Beginning in 2006, my due diligence revealed management failures as well as inconsistencies between our internal actions and our external statements, and my conclusions were disseminated internally on a number of occasions. Some of my earlier conclusions were

- "This is a very undermanaged firm. Shareholders should be p*ssed," Deepak Moorjani, November 2006 internal email.
- "After basic costs, we earn 1.4% ROC (Return on Capital) . . . We would generate more profits in the carry trade," Deepak Moorjani, January 2007 internal email. Despite limited information, my conclusion was correct: our real estate lending activities did not make economic sense. After obtaining more data, I realized that this business was wildly unprofitable, because our internal accounting did not include any capital charge for the €1.6 billion of capital utilized.

While the results of my due diligence may have offended powerful interests, it is in our best interest to address these issues proactively. Since management has chosen to conceal its failures while paying itself large "performance-based" compensation, I have sought to defend myself via public interest litigation. Case #4109 was filed in Tokyo District Court in February 2008 by Yasushi Higashizawa, a highly-respected litigator.

We are not seeking damages, but we are seeking (i) to disclose properly the inner workings of our firm to its stakeholder base of customers, employees and shareholders and (ii) to prevent abuses of power by management. Unfortunately, management seems determined to test the limits of contract.

SITUATION OVERVIEW

While management projected 2008 net income of 8 billion euros, management recently announced a fourth-quarter net loss of 4.8 billion euros (\$6.4 billion) with a loss of 3.9 billion euros for the full year. Our fourth quarter loss

- "was the biggest loss in Deutsche Bank's 140-year history . . . the fourth-quarter figures paint a different picture, no longer portraying Deutsche Bank as a sound institution, but as one that took far too many risks. As a bank that speculated not just for its clients but for itself and at its own risk, that acted like a hedge fund -- and ended up losing . . . The team of bankers working for the charismatic Anshu Jain, co-head of Deutsche's investment banking unit, wiped out a total of roughly €8.5 billion (\$11.2 billion) before taxes." (Der Spiegel, January 2009).

For perspective, €8.5 billion is equivalent to more than 50% of our market capitalization; €8.5 billion is also 42.6% of the €20.0 billion of total net income earned by the firm in 2003-2007 and 115% of the €7.4 billion in total net income earned by the firm in 2003-2005.

就労請求

PERSONAL AND CONFIDENTIAL



External parties discuss a "subprime crisis" or a "financial crisis" as if our recent write-downs and losses are caused by external events. I consider our poor results to be a "management debacle," and a natural outcome of unfettered risk-taking, poor incentive structures and the lack of a system of checks-and-balances. We took too much risk, failed to manage this risk, and broke too many laws and regulations.

- As Warren Buffett stated, "The banks exposed themselves too much, they took on too much risk . . . It's their fault. There's no need to blame anyone else."

STRUCTURE AND COMPENSATION

"We have always known that heedless self-interest was bad morals; we know now that it is bad economics." (Franklin Roosevelt, 1937).

Within our firm, we have inadequate governance structures and lax internal controls, and there is a strong economic disconnect between management and shareholders. The current incentive structure creates a culture of Other People's Money ("OPM") which is highly contributory to our losses. Management has "eviscerated the concept of moral hazard" by systematically adopting pay schemes that reward excessive risk-taking despite the long-term implications.

While management has publicly downplayed its failures, management probably used its informational advantage to justify large compensation packages to its top managers despite advertising a pay-for-performance compensation policy.

- "As late as November [2007], Ackermann signaled he saw no further writedowns and stood by his 2008 pretax profit goal of 8.4 billion euros, a target that has since been quietly dropped."
- "It was also revealed that "Deutsche paid €97.1m in 2007 to six members of its global executive committee, compared with €99.7m in 2006. The committee members include Deutsche's top investment bankers such as Anshu Jain, head of global markets, and Michael Cohrs, head of global banking."
- In the FY2007-2008 period, Corporate and Investment Banking lost €1.820 billion on a pretax basis.

The timing and circumstances of these payments raise serious questions whether the Supervisory Board was derelict in its duty and violated its fiduciary obligations. In the event of a partial or full nationalization, these payments might be construed as fraudulent conveyance.

Despite its now-public failures, our entrenched management team still denies the need to address the core issues of structure and compensation. The ego-driven refusal to pursue a proactive restructuring damages the interests of our stakeholders. Continued inaction is not acceptable, as management will likely (i) pursue a partial or full nationalization, or (ii) raise outside funds on terms and conditions that will prove highly dilutive and onerous for shareholders.

- "We expect a year-end Tier 1 ratio of around 10% and a core Tier 1 of around 6.7% proforma. This compares with in excess of 12% and 9% for Credit Suisse and UBS. Thus despite management's strong statement that DBK will not raise additional equity we believe the shares will reflect a discount . . . To raise core Tier 1 to 9% similar to Swiss peers, we estimate that DBK would need around EUR 7bn of additional common equity, more than half the current market capitalisation." (Source: Nomura International plc, January 2009).



While publicly denying the need for government assistance, management has pursued this route directly and indirectly from the German and the US governments.

- In the renegotiated but still overpriced Postbank deal, "German postal and logistics company Deutsche Post will get a stake of around 10 percent in Deutsche Bank. Deutsche Post is 31 percent-owned by the German government via state development bank KfW, so the government will effectively end up owning three percent of Deutsche Bank." (Der Spiegel, January 2009)
- "Amid rising pressure from Congress and taxpayers, the American International Group on Sunday released the names of dozens of financial institutions that benefited from the Federal Reserve's decision last fall to save the giant insurer from collapse with a huge rescue loan . . . Big foreign banks also received large sums from the rescue, including Societe Generale of France and Deutsche Bank of Germany, which each received nearly \$12 billion." (New York Times, March 2009) Note: These funds were more than 50% of our market capitalization when announced.

We need to have an honest dialogue on the following questions (i) Do we have the right management team in place? (ii) Do we have a system of checks and balances to align interests between managers and shareholders? and (iii) How do we improve the inadequate governance structures and lax internal controls? These questions are important to shareholders, as our stock has fallen more than 70% in the past year. These questions are important to employees, given the internal discussions to shrink the 80,000+ person worldwide workforce by as much as 30%.

While stakeholders have a right to be furious, we are complicit in our own victimization by failing to exercise responsibly our rights and obligations as owners of the company. We have failed to impose a system of accountability and transparency on an entrenched management team. Specifically, we have failed to install a system of checks and balances that would minimize the principal-agent problem, and we have given management a monopoly to formulate restructuring proposals.

Here is one example: at the Annual General Meeting in May 2008, voting shareholders approved all of management's proposals (TOP 1-11), and except for TOP 11, each garnered more than 95% of the vote.

- Perhaps this outcome reflects the mistaken consensus at the time. The Wall Street Journal quoted an analyst who said: "Investment banking contributes most of the bank's revenues and is rightly the main pillar of the bank's business model. I don't see a reason to sell it, and with a pretax return on equity of above 25%, including bonuses, it's quite successful. Even though times are difficult right now for investment banking, it will recover, although that may take longer than expected." (April 2008)

At the same AGM, shareholders had an opportunity to demand greater transparency and accountability from management via shareholder-submitted proposals. Insulated from democratic accountability, management opposed all shareholder-submitted proposals (TOP 12-19), and as a result, none of these proposals garnered more than 5% of the vote. These proposals included

- (i) "Instruction to the Management Board to make all preparations to spin off investment banking business within two years," and
- (ii) "Application for resolution on the performance of a special audit pursuant to § 142 (1) German Stock Corporation Act to investigate the question of whether in the years 2003 to 2007, in breach of duties of care, bonuses were paid to employees and executives which, subject to careful consideration of the legal risks arising out of the transactions for which the bonuses were paid, should not have been granted or, if at all, only with a clause allowing them to be called back."



satyagraha
March 20, 2009
Page 4

If the shareholder vote were held today, more shareholders might elect to vote ("Around 6,000 shareholders attended the Annual General Meeting with a total of 33.2 per cent of voting capital present."). Also, shareholders might make more appropriate decisions.

SOLUTIONS

As many of our competitors have directly and indirectly admitted, the asymmetric incentive structure is fundamental to our problems. Perhaps the Supervisory Board should accept blame for its failure to evaluate risk and its failure to impose a system of accountability and transparency on management. As shareholders, we have a continual opportunity to address the internal cowboy culture by addressing the incentive structure. While there are many opinions on how to align incentives, shareholders should examine the structure typically demanded by investors in the world of private investment funds.

In my opinion, investors in private investment funds negotiate terms and conditions which better align incentives between principal and agent where (i) managers have downside risk given their personal investments in the fund, typically 1-5% of the total capital (ii) bonuses ("carried interest") are paid as a percentage of actual profits paid to investors (iii) bonuses are calculated over a multi-year period after investors receive a "preferred return" and (iv) managers must return any premature bonuses to investors when future losses are incurred (bonuses are "clawed back").

As an investor, it would have been simpler (and more profitable) to utilize my due diligence by buying equity put options on our firm's shares; however, I felt and feel a sense of loyalty to be part of a constructive solution. Gandhi says it well: "We must be the change we wish to see in the world."

Our situation continues to demand greater urgency. In reality, our balance sheet is weak, and we have a limited ability to generate earnings through our operations. As management's failings become more obvious to the outside world, people are correctly raising concerns that our balance sheet will need to be repaired.

- "To raise this [core Tier 1] to 9.0%, still less than the de-risked Swiss banks, would require cEUR 6.2bn of common equity in the event of no dividend being paid for 2008. This represents 37% of the current market capitalisation, justifying why Deutsche Bank trades at 67% of tangible book." (Source: Nomura, Oct 31, 2008)

Sometimes, big problems can result from seemingly small problems, and it is in our best interests to address these issues proactively. We have a moral responsibility to each other, and we have a fiduciary responsibility to our investors. "Delay is no longer an option. Denial is no longer an acceptable response."

Please join me in this conversation. Together, we can make a difference.

Sincerely,

Deepak Moorjani

東京都千代田区永田町2丁目1番1号

cc: Josef Ackermann, Deutsche Bank AG
Hugo Banziger, Deutsche Bank AG
Anshu Jain, Deutsche Bank AG
Attorney General Andrew Cuomo
Chancellor Alastair Darling
Marjorie Scardano, Pearson PLC



COMMERCIAL REAL ESTATE LENDING: A Study in Excessive Risk-Taking

The Japan office, the worst-performing office within DBG, offers a case study. According to reports released on February 13, 2007, Mr. Hatt officially joined Deutsche Bank as "Regional CEO and Chief Country Officer for Deutsche Bank Group in Japan, responsible for coordinating the Group's business activities." Mr. Hatt joined Deutsche Bank with a 2-year contract which pays approximately €5,000,000 in guaranteed compensation per year, and Mr. Hatt replaced John T. Macfarlane who resigned as President and CEO in December 2006. Mr. Hatt also assumed P&L responsibility for Global Banking until "the appointment of David Shrenzel as Head of Global Banking, Japan, effective from February 1, 2008. Mr. Shrenzel assumes the post from David Hatt, President & CEO of DSI, who has held the post on an interim basis."

Despite a history of weak performance, the new Global Banking management made aggressive projections for fiscal 2007. Management promised to grow revenues by 82% to €130,000,000 and to deliver €50,000,000 in NIBBT for this unprofitable business. To achieve these goals, management sought to utilize more than €2 billion of capital and sought to increase personnel to more than 150 employees.

- For perspective, Global Banking only delivered €50,410,000 in revenues with €2,462,000 of NIBBT in 2006. In 2005, Global Banking delivered €49,607,000 in revenues with €6,445,000 of NIBBT. Despite increasing personnel from 92 in 2005 to 120 in 2006, fiscal 2006 revenues grew by less than 2%, and NIBBT decreased by more than 60%. (Note: NIBBT = Net Income Before Bonuses and Taxes).

The largest component of Global Banking's 2007 revenue was projected to come from the Commercial Real Estate (CRE) lending business, and CRE management promised to deliver €50,000,000 in CRE revenues in 2007, an increase of 55% from the €32,263,000 of revenues delivered in 2006. Additionally, the CRE lending business was projected to deliver nearly €35,000,000 in NIBBT and to grow personnel from 27 employees in 2006 to 46 employees in 2007. Management sought to deliver its projections for the CRE lending business by aggressive utilization of the Deutsche Bank balance sheet.

- In January 2007, the Commercial Real Estate lending business utilized €1,578,600,000 of Deutsche Bank assets, approximately 95% of the total corporate finance portion of Global Banking balance sheet.

Internally, management's aggressive use of the Deutsche Bank balance sheet was shocking, and I distributed a summary economic analysis on our commercial real estate lending activities.

- Despite limited information, I concluded, "We would generate more profits in the carry trade." This January 2007 email was distributed to several of my colleagues, and my conclusion was simple: our real estate lending activities in Japan did not make economic sense.

Our uneconomic activity was not limited to a small pool of capital; at the time, we had nearly €1.6 billion in exposure. Given the illiquidity of these positions as well as the tight spreads, I did not believe that the risk inherent in this lending activity would make sense to a prudent investor.

Even with "unnecessary and excessive" risk-taking in a very favorable environment, management significantly underperformed when measured by its own promises. By mid-2007, Global Banking had delivered approximately €30,000,000 in revenues (less than 25% of its projections) and approximately €1,000,000 in NIBBT (2% of its projections). (Note: Management reports a total Global Banking balance sheet of €2,536,500,000; however, €1,660,900,000 is allocated to corporate finance and €619,900,000 is allocated to Global Transaction Banking, a more stable and profitable business. The component numbers indicate a total Global Banking balance sheet of €2,280,800,000. In its reports, management has left the residual amounts unallocated).



COMMERCIAL REAL ESTATE LENDING: A Risk Management Failure

A financial institution can generate profits through the careful use of its capital base. With our recent write-downs and attendant balance sheet weakness, we need to reconsider our approach to risk management and capital allocation. Some thoughts and questions include:

- Our lending activities have generally been too aggressive. For instance, Deutsche Bank was approached in late 2006 to finance a large real estate investment made by Morgan Stanley. The CRE lending business responded with a proposal to lend JPY 220 billion (approximately \$2.2 billion), nearly 94% of the asset's loan-to-value (LTV). The real estate was being acquired at a going-in cap rate of 2.74%. Given the aggressive pricing, how much of this loan could we have securitized and how much of this loan would necessarily remain on the Deutsche Bank balance sheet? Did management view this as an aggressive proposal? On what economic basis was this considered desirable business? In hindsight, most shareholders would consider this proposal as excessively risky with high leverage, loose covenants, insufficient due diligence and no prospect of profitability.
- In January 2007, I concluded in an internal email, "After basic costs, we earn 1.4% ROC (Return on Capital) . . . We would generate more profits in the carry trade." Despite limited information, my conclusion was correct: our real estate lending activities did not make economic sense. After obtaining more data, I realized that this business was actually unprofitable, because our internal accounting did not include any capital charge for the €1.6 billion of capital utilized. In 2006, management delivered €32.2 million in revenues with €2.46 million of NIBBT. If we consider a modest capital charge and also consider guaranteed and other bonuses paid, this business lost more than €30 million. In 2006, the average CRE employee risked €58 million of Deutsche Bank assets to generate €1.2 million in unprofitable revenue for 2006 (based on €1.6 billion of capital utilized). Why did management risk so much capital in an unprofitable business? How does this constitute a rational use of our balance sheet?
- In 2006, there was already concern about the CRE lending exposure internally ("clean up balance sheet, improve return on risk weighted assets as CRE-Japan is 10% of global RWA, yet just 4% of overall revenues"). One way to "clean up" the balance sheet was to securitize the assets, and the goal was to "target 4-6 in 2007 . . . JPY 100+ b in securitized issuance is expected." How many securitized transactions were conducted in 2007, and how much was securitized? Why was more than half of our loan volume actually held-to-maturity? In order to win originations, do we systematically underwrite loans on terms and conditions that prevent securitization? If Deutsche Bank gives bonus credit for Net Interest Margin (NIM), might managers have an incentive to hold balance sheet loans to maturity rather than to securitize this risk? Our public statements might indicate that this is an "originate and distribute" business, but the evidence and the incentives structure indicates that it is an "originate and hold" business. Is it more accurate to characterize CRE as a balance sheet lending business rather than as a securitization business?
- How involved was Credit Risk Management (CRM) in the commercial real estate loan origination process? If only personnel from London and New York were involved, would this limit CRM's ability to understand the loans being given to bank clients? How extensive was our portfolio management? Prior to production of the report entitled "CRE Japan, Balance Sheet March 2007," there was no report on our total lending positions; as such, how could anyone have conducted risk management? How often was this type of portfolio report produced? If this was the first portfolio report generated in more than one year, were there other ways for people to track and manage our lending positions?
- The Global Transaction Business delivered €26.6 million in net revenues and €13.5 million in NIBBT. This seems to be a stronger and more stable business which only used €619.9 million of Deutsche Bank balance sheet. Why did management decide to underinvest resources in this business in favor of riskier businesses which consumed large amounts of bank capital?



ACCOUNTABILITY AND TRANSPARENCY

Shareholders typically seek to reduce the "agency costs" incurred from divergent management-shareholder objectives and information asymmetry. In other words, shareholders seek to minimize the conflicts of interest incurred by having an external management team run the business. Two ways to minimize these conflicts of interests are (i) management ownership of shares and (ii) a system of variable compensation which pays managers some portion of shareholder earnings. In our case, members of the Supervisory Board own less than 0.03% (128,073) of Deutsche Bank AG shares. While we reported €6.5 billion of net income after minority interest in fiscal 2007, we have also announced more than €8.5 billion of write-downs in the ensuing months. Still, we "paid €97.1m in 2007 to six members of its global executive committee, compared with €99.7m in 2006. The committee members include Deutsche's top investment bankers such as Anshu Jain, head of global markets, and Michael Cohrs, head of global banking."

We need to reconsider our system of explicitly and implicitly guaranteed compensation for management. In our public documents, we might argue that these contracts are the exception rather than the rule; however, the size of management's compensation contracts needs to be considered. As an example, Global Banking was a money-losing operation in 2005, 2006 and 2007 by any traditional measure of performance, and the division's performance was much worse in 2008 (net income, residual income, etc). David Hatt, Frank Forelle, and Doug Smith have large multi-year guaranteed contracts, and each continues to manage unprofitable businesses which consume more than €1 billion of capital. Despite these failures to perform, these three managers are likely paid more than 25% of the entire Global Banking operation in Deutsche Bank's Japan office.

Given management's failures, is it necessary to guarantee management's compensation? How is this consistent with our public disclosures which claim "a system of performance-related compensation for managers and employees?" Not only do these guaranteed contracts demonstrate a system of asymmetric compensation, but this excessive compensation distorts incentives and destroys morale for the 80,000+ Deutsche Bank employees.

Here are some suggestions to address the issues of structure and compensation

- (i) Eliminate guaranteed employment contracts for management
- (ii) Eliminate NIBBT (net income before bonuses and taxes) as a measure of performance. NIBBT creates the illusion of profitability because it does not include any charges for capital-usage and for bonus-related compensation. While ROE and ROA are preferable to NIBBT, the best measure is cash flow. This measure of performance is also less susceptible to manipulation.
- (iii) Propose that shareholders, as the owners of the company, have the final approval on management's compensation, via a "say-on-pay" proposal at the annual general meeting
- (iv) Reconsider the independence of the Supervisory Board
- (v) Encourage management to invest more of its wealth in the business in order to eliminate the principal-agent problem. This should be done by management purchases of shares, not extra grants of options or shares. This would help to align the incentives, thereby minimizing the culture of OPM (Other People's Money) within the firm
- (vi) Study and analyze a management buyout of the investment banking business. This is a more aggressive version of (v) and would have the added benefit of insulating shareholders from the highly-variable earnings of the investment banking division



Richard H. Walker Elected to MBIA's Board of Directors

ARMONK, N.Y.--(BUSINESS WIRE)--Sept. 14, 2006--MBIA Inc. (NYSE: MBI) announced today that Richard H. Walker was elected to MBIA's Board of Directors. Mr. Walker is the general counsel of Deutsche Bank, where he oversees the Legal and Compliance departments worldwide.

Before joining Deutsche Bank in 2001, Mr. Walker was director of the Division of Enforcement for the Securities and Exchange Commission (SEC). Preceding his appointment to that position, he served as general counsel and northeast regional director since joining the SEC in 1991. Prior to the SEC, Mr. Walker spent 15 years in the New York office of Cadwalader, Wickersham & Taft, where he was a litigation partner specializing in corporate, securities and commercial litigation.

MBIA Board Member and Nominating/Corporate Governance Committee Chair Claire Gaudiani said, "Richard's impressive legal, compliance and financial expertise will add important depth to our Board. We are delighted to have him join us, and are confident that the experience he's gained throughout his remarkable career will provide an invaluable asset as we guide MBIA's continued growth in the global financial guarantee marketplace."

While at the SEC, Mr. Walker was awarded the Presidential Rank Distinguished Service Award in 1997--the highest federal award for government service. He also received the SEC's Distinguished Service Award, and the Chairman's Award for Excellence.

Mr. Walker is a member of the New York Stock Exchange Legal Advisory Committee, and is a trustee of the Securities and Exchange Commission Historical Society and the American Folk Art Museum. A Phi Beta Kappa graduate of Trinity College, Mr. Walker received his J.D. degree, cum laude, from Temple Law School.

MBIA Inc., through its subsidiaries, is a leading financial guarantor and provider of specialized financial services. MBIA's innovative and cost-effective products and services meet the credit enhancement, financial and investment needs of its public and private sector clients, domestically and internationally. MBIA Inc.'s principal operating subsidiary, MBIA Insurance Corporation, has a financial strength rating of Triple-A from Moody's Investors Service, Standard & Poor's Ratings Services, Fitch Ratings, and Rating and Investment Information, Inc. Please visit MBIA's Web site at www.mbia.com.

CONTACT: MBIA Inc.
Liz James, 914-765 3889

SOURCE: MBIA Inc.

Mark Grolman

Managing Director

General Counsel, Australasia & Japan

Deutsche Bank AG - Australia & New Zealand

Deutsche Bank Place

Level 16, Cnr Hunter & Phillip Streets, Sydney NSW 2000

Tel. +61 2 8258 1182 Fax. +61 2 8258 1101

mark.grolman@db.com

Deutsche Bank



②

Daiki Kajino/db/dbcom
2007/05/09 19:19

To Tomohiko Kimura/Tokyo/DBJapan/DeuBa@DBAPAC

cc

bcc

Subject Fw: Staff - Privileged & Confidential

Kimura-san

As we discussed in this morning, I explained the current situation to Murakami-san in HR. After that, I arranged conference call with Sunil Madan and it is already fixed on tomorrow at 17:00 (Tokyo Time).

Murakami-san and I will have a conference call with him and ask him about our concerns. If you need to join it, please let me know.

As to investigation of Frank's e-mail for Pipeline issue, I will start it as soon as I obtain Mitch's approval.

Regards,

☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆
Daiki Kajino (梶野 大毅)
Compliance Department
Deutsche Bank AG, Tokyo Branch
Tel : +81-3-5156-7738
Fax: +81-3-5156-6006
daiki.kajino@db.com
☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆

----- Forwarded by Daiki Kajino/db/dbcom on 2007/05/09 19:13 -----

①

Mark
Grolman/Sydney/DBAustralia
/DeuBa@DBAPAC
2007/05/09 19:09

To "Dick Walker" <richard.h.walker@db.com>,
janice.reznick@db.com, rachel.blanshard@db.com,
jiana.leung@db.com, "Kiyoshi Murakami"
<kiyoshi.murakami@db.com>, "Andrew Hume"
<andrew.hume@db.com>, "Daiki Kajino" <daiki.kajino@db.com>,
"Mr. Tomohiko (Tom) Kimura" <tomohiko.kimura@db.com>

cc

Subject Staff - Privileged & Confidential

PRIVILEGED & CONFIDENTIAL

Below are draft notes of the interview I had with Frank Forelle yesterday.

NEXT STEPS

I suggest for your consideration that the next steps should be:

- (a) we interview Sunil Madan. Tom Kimura has agreed to do that by telephone as soon as possible this week;
- (b) when Deepak Moorjani returns to Tokyo from the US next week, we press him again to produce all evidence he has of any alleged violations or wrongdoing. In the two weeks since he was interviewed he has not produced any evidence;
- (c) agree a letter to Mr Moorjani in response to his letter. I suggest that this letter be signed by David Hatt as President and CEO of DSI (the employer of Mr Moorjani). David Hatt has been briefed on this matter. I will draft the response letter for your review. Once agreed, that letter should be delivered to Mr Moorjani.

I also propose giving the draft notes of meeting to Frank Forelle to check for accuracy.

Daiki Kajino/db/dbcom
2007/05/21 18:05

To Tomohiko Kimura/Tokyo/DBJapan/DeuBa@DBAPAC
cc Bret Dandoy/Tokyo/DBJapan/DeuBa@DBAPAC, Mitchell
Mason/Tokyo/DBJapan/DeuBa@DBAPAC, Kiyoshi
Murakami/db/dbcom@DBAPAC

bcc

Subject 【Confidential】 Frank Forelle's e-mail

Kimura-san

Here is the result of Frank Forelle's e-mail box review.

【Focus】

Review Mr. Forelle's e-mail box and check if there is any "Deal Pipeline Report" as Deepak Moorjani pointed out at the interview.

【Summary】

There were several type of "Pipeline Report" which is shared by DB/CRE Management (Sunil Madan) and Mr.Forelle.

However, I could not find any report which covers details of individual deal, so I believe there is no "Deal Pipeline Report" as Mr.Moorjani insisted on.

【Details】

1. Management Report

There were three "Management Report" founded from Mr.Forelle's e-mail.

In those reports, DB Tokyo's information, such as expecting revenue amount from individual deals, probability of those deals and balance sheet information, are included.

However, there was no "Non-Public Client Information" included, therefore these cases do not breach Firewall regulation.

- 2006.11.11 John Griffin(NY) to Frank Forelle(DSI) and Sunil Madan(DB)
- 2006.11.17 Austen Gardiner(NY) to Frank Forelle(DSI) and Sunil Madan(DB)
- 2006.11.21 Sunil Madan(DB) to Frank Forelle(DSI)

2. Ad-hoc discussion between DSI and DB

I found one e-mail which was sent by Mr.Madan(DB) to Mr.Forelle(DSI) asking to have a call about specific deals.

In the e-mail, Mr.Madan mentioned 5 individual deals. It is highly possible that they had a discussion over those deals, however it does not consist any breach since there are proper ISA for all of them.

- 2006.11.09 Sunil Madan(DB) to Frank Forelle(DSI)

<Deal Name>

Secured	ISA was obtained on 2006.04.03 from Secured Capital Japan
FL1	Sucuritization Project for existing DB Tokyo's loan
Rice Eater	ISA was obtained on 2006.03.07 from Blue Sky Fund Ltd.
BJT	ISA was obtained on 2006.10.24 from Bobcock & Brown
Single Crown	ISA was obtained on 2006.07.27 from Merrill Lynch

3. Weekly Pipeline Meeting

There is an e-mail evidencing "Weekly Pipeline Call" between DB Tokyo, DSI and DBSI(NY) exist.

However, e-mail does not show any evidence for Firewall Breach.

- 2006.10.24 Austen Gardiner(NY) to Frank Forelle(DSI) and Sunil Madan(DB)

【Review Method】

- Searched by "pipeline" for all e-mails / Review the contents of those hitted mails

- Read all mails (166mails) between September to the end of December which come from/ went to Sunil Madan(Sunil Madan was appointed Head of DB/CRE on 2006.09.25 and left DB Tokyo on 2007.01.01)

☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆

Daiki Kajino (梶野 大毅)

Compliance Department

Deutsche Bank AG, Tokyo Branch

Tel : +81-3-5156-7738

Fax: +81-3-5156-6006

daiki.kajino@db.com

☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆

Richard H. Walker
General Counsel



Deutsche Bank AG
Legal Department
60 Wall Street, MS NYC60-3601
New York, NY 10005

Tel 212-250-8200
Fax 212-797-4569

richard.h.walker@db.com

January 29, 2008

Mr. Gary C. Dunton
Chief Executive Officer and President
MBIA Inc.
113 King Street
Armonk, NY 10504

Dear Gary:

I have concluded that I should resign from MBIA's Board. I do so with great regret and only after very careful consideration of the interests of both MBIA and Deutsche Bank.

When I joined MBIA's Board in 2006, existing business relationships between MBIA and Deutsche Bank provided no basis to believe that I would be unable to give both institutions my full attention and undivided loyalty. Given the events of the past week, however, I am now in a position where I can no longer be confident that continuing to act on behalf of both institutions will not lead to the possibility of an appearance that I may have reason to favor one over the other on a matter of great importance to both. In these circumstances, my ability to continue to act on behalf of either institution may be constrained. Given the importance of restoring credibility in the marketplace, I would not want my role to become a distraction to ongoing efforts to achieve this goal.

I am proud to have been associated with MBIA, and I would have liked to continue serving on MBIA's Board. I leave the Board with great affection for all my fellow directors and with appreciation for their wisdom and dedication. I would also be remiss if I did not applaud the exceptional MBIA staff. I am confident that this top-flight staff, with the Board's support, will guide MBIA to future successes.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard H. Walker", written over a horizontal line.

Richard H. Walker

cc: Members of the Board of Directors